

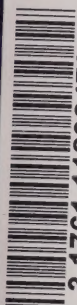
Issues and Alternatives.1976

Ontario Economic Council

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Education



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PREFACE

The most striking feature of public affairs during the past two decades has been the rapid growth in the size and complexity of government. Reflecting this development, the Ontario Economic Council two years ago decided to focus much of its attention on government expenditure programs, particularly in the four fields of health, education, urbanization and social security. In considering each of these fields, special emphasis has been given to two basic themes: the size, growth and effectiveness of public expenditure programs; and the impact of these programs upon the personal distribution of income and wealth.

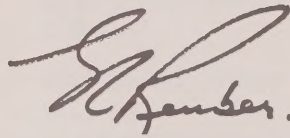
In addition to its work on public expenditure programs, the Council has also given priority to two related topics: national independence and the development of Northern Ontario, both of which pose long-standing concerns.

This is one of a series of papers that the Council is issuing on each of the six areas where we are concentrating our attention at present. The purpose of these papers is to highlight the principal issues, as we see them, and to provide a framework for discussion about improvements in government policies in these areas.

In this paper we raise what we regard as the most pressing issues of the day concerning education. We also offer suggestions which we believe warrant further examination for alternative policy approaches to these issues. The Council itself is undertaking research to explore some of the questions that arise, which will be made public as it is completed.

It is the Council's hope that this report will make a useful contribution to the evolution of public policy in the education field.

While each member of the Ontario Economic Council does not necessarily subscribe completely to everything said in this report, the report does reflect a strong consensus of Council Members' views.

A handwritten signature in dark ink, appearing to read 'G.L. Reuber.', with a stylized, flowing script.

G.L. Reuber
Chairman
Ontario Economic Council



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I. INTRODUCTION

In 1974-75 provincial government spending on all levels of education* accounted for about 28.5 percent of total provincial government expenditures — second in size only to health.¹ But public funds for education are not provided only by the provincial government. The federal government also plays a major role in education financing through research grants and direct funding of special institutions and programmes; federal transfers to provincial governments cover fifty percent of the operating expenditures of post-secondary institutions. In addition, municipal governments finance about 40 percent of the cost of primary and secondary schools from municipal property taxes, as shown in Table 1 of Appendix A.

The estimates in the accompanying table record that until the last few years there were extremely high rates of growth in enrolment and expenditures at all levels of education. The salient facts that emerge are:

- the principal driving forces behind the increase in expenditures were such demographic factors as the post-war baby boom and immigration and, of course, inflation;
- other factors clearly had an impact because costs per student measured in constant dollar terms (the adjustment of inflation is admittedly crude) have also risen;
- these real unit costs have recently gone up much less rapidly for primary and secondary education and real costs per unit have even fallen for post-secondary education;
- for several years enrolment in primary and secondary schools has been falling;
- the enrolment in institutions providing post-secondary education is increasing at a much lower rate despite a substantial but slower rate of growth in the participation rate for those in the population aged 18-24 years.

Along with the rising cost per student has gone a marked increase at the post-secondary level in the proportion of education costs assumed by the government, and a notable decrease in the proportion paid by the student. In universities, student fees cover about 16 percent of operating revenue today, a proportion that compares to near 30 percent ten years ago. In the Colleges of Applied Arts and Technology (CAATs), the proportion of operating revenue covered by fees was about 11 percent in 1974-75.² Even in primary and secondary schools, the government now provides textbooks which previously were paid for by students. Major gains in salaries and fringe benefits for teachers over the last decade and the costs of supporting a much broader and more flexible school system have also contributed to the relative increase in the cost of education to government.³ Since 1965, the Ontario education system has developed much wider curricula and new institutions; the Colleges of Applied Arts and Technology, in particular, have been added to the system.

*The term 'education' used here includes all levels of education — primary, secondary, and post-secondary, including the manpower training programmes of the Colleges of Applied Arts and Technology.

There seems to be a growing public feeling that government expenditures on education are excessive despite the evidence that some restraint is now being exercised. This public reaction seems to stem from a belief that there is no overall government policy that is aimed at ensuring the greatest effectiveness of educational expenditures. There is also concern about a seeming decline in the quality of the education that is provided to students under the present system. A further concern is the feeling that students from low income families do not have equal opportunity. Another is the feeling that the costs of education could be more equitably distributed.

AVERAGE ANNUAL GROWTH RATES IN THE ONTARIO EDUCATION SYSTEM

1950-51 TO 1973-74

	1950-51 To 1960-61	1960-61 To 1970-71	1970-71 To 1971-72	1971-72 To 1972-73	1972-73 To 1973-74
Elementary and Secondary Education					
Number of students	6.0	3.9	.5	-.1	-.8
Total expenditures	14.4	14.8	8.9	7.4	8.2
Expenditures per student - current dollars	7.9	10.4	8.5	7.5	9.1
- constant dollars	4.7	7.3	5.0	2.5	1.4
Post-Secondary Non-University Education					
Number of students	12.1 *	18.6	6.0	-7.3	2.5
Total expenditures	9.7 *	22.9	54.8	1.5	-5.2
Expenditures per student - current dollars	1.9 *	9.0	46.0	9.5	-7.5
- constant dollars	3.2 *	5.9	41.4	4.4	-14.1
University Education					
Number of students	3.4	14.1	4.9	5.6	5.9
Total expenditures	16.7	22.9	5.7	-2.2	10.6
Expenditures per student - current dollars	13.0	7.6	0.7	-7.4	4.5
- constant dollars	9.9	4.6	-2.5	-11.7	-2.9

* Annual growth rates are based on a 6-year period from 1954-55 to 1960-61

SOURCE: Appendix A

II. FRAMEWORK FOR EDUCATION POLICY

The objectives of the Ontario community concerning education must be considered if this discussion of current and alternative education policies is to be placed in an appropriate context. The Council believes certain objectives command widespread support; alternative policies can only be usefully examined in the light of these objectives.

It is difficult to delineate these objectives of the education system in precise terms, but at least four major aims regularly appear in public discussions. These are: the achievement of greater equality of opportunity; the efficient allocation of resources; freedom of academic choice for the student and the institution; and the promotion of the cultural and intellectual development of the student.

Equality of Opportunity

Education plays an important role in the social and economic advancement of the individual; as a result, equality of educational opportunity for all citizens is regarded as a goal of great importance. Individuals generally have access to education according to their intellectual, environmental, and financial resources; these resources are not equally distributed among individuals, particularly insofar as they affect access to education. The conclusion becomes inescapable that the question of equality of opportunity is really a matter of overcoming the influence of different environments and financial circumstances.

The unequal distribution of innate talents and intelligence is beyond the purview of education policy. To a slightly lesser degree, the advantages or disadvantages of home and other environmental factors fall beyond the scope of education policy. It is also taken as given that an objective of education *per se* is not to achieve equality of opportunity by reducing, in any sense, the environmental and/or financial circumstances of the most advantaged: the objective, in the view of the Council, is to improve the opportunities of the least advantaged.

The implication of this viewpoint, when applied to the allocation of government aid, is that financial assistance for students should be greater for those who come from financially disadvantaged family backgrounds. Financial pressures that increase the tendency to drop out of school, or not to go on to college or university should be diminished to the degree possible by concentrating public aid on those students with the least resources.

Many studies indicate a high correlation between measures of student ability and parental income.⁴ Family income is likely serving as a proxy for a disadvantaged home environment in these studies. But, if it is accepted that family income is an important factor in determining a student's measured ability, the conclusion follows that public financial assistance should be given at a very early stage in a child's life. This serves to reinforce the earlier conclusion that public financial assistance for education should be inversely related to family income.

Present methods of financing the Ontario education system result in a redistribution of income from those who do not participate in the system to those who do. Primary and secondary schools are financed from municipal property taxes and general provincial tax

revenues; it is apparent that public subsidies to the schools, in effect, transfer funds away from those who pay heavy taxes and/or do not have children in the public school system to those who pay light taxes and/or do have children in the system.

Post-secondary education is also financed primarily from the general tax revenues of the provincial and federal governments. The subsidies received by those attending university or college represent an implicit income transfer from those who do not attend. To the extent that those enrolled in post-secondary education tend to come from higher income families, there is an implicit transfer from lower income taxpayers whose children do not attend these institutions, to higher income taxpayers whose children take advantage of the subsidy. Student aid, in the form of loans or grants to students from low income families, helps to offset this redistribution.

Economic Efficiency

The economic argument for government intervention in education is that it is necessary to overcome so-called market imperfections. This is mainly true with respect to post-secondary education. Imperfections in capital markets for student borrowing, for example, exist as a result of the high degree of risk involved and further, because of imperfect or inadequate information. Private lenders are reluctant to make loans to students because there is no collateral for such loans and there is a high risk of non-payment⁵; physical capital can be reclaimed by the lender in case of default on such conventional loans as mortgages, but it is not possible for the lender to repossess human capital if there is default on a student loan.⁶

Since adequate student loans are not available from the private sector, government intervention becomes essential. This implies some form of government loan program to provide students with access to the financial resources they require to carry out their studies.

The assurance of loan availability through government intervention is not, however, a justification for these student loans to be made available at interest rates lower than the government borrowing rate: the capital market bias is overcome by the availability of the loan. Lower interest rates constitute a public subsidy to students borrowing funds. Such a subsidy would be inequitable if the borrowers came from high income families. Lower interest rates may also encourage students to borrow more money than they need for educational purposes alone and hence create a pressure to lower ceilings on the size of loans. This, in turn, may impair legitimate borrowing by other students.

A second type of market imperfection which calls for government intervention is the lack of knowledge about the income potential of alternative kinds of post-secondary education. Without such knowledge, college and university students too often find themselves graduating from programmes that prepare them for jobs that are in short supply or jobs where earnings are lower than they expected. These lower earnings are, in part, a result of the excess supply of qualified people caused by the lack of reliable information available to them when they make their career decisions. Better informed students might have chosen other programmes or, at least, would have been more fully aware of the income potential of their career options. The Council believes that the government should provide better information to those in the post-secondary education system or to persons who are considering entry.

Earnings surveys of recent graduates in different occupations and locations and information about current and potential imbalances in the supply and demand for qualified personnel, if provided on a regular basis, would be beneficial. Some of these data are presently being compiled by the Ontario Ministry of Labour.

Some of the benefits to be derived from the educational system accrue not only to the individual student but also to society as a whole.⁷ Private benefits to the individual consist of higher future earnings and such non-monetary satisfaction as personal development and prestige. The benefits to society are difficult to define, much less measure. They consist, for example, of the advancement of the general level of knowledge in our society, improved communications, the preservation and enhancement of culture and so on. It is generally felt that from the social point of view private investment in education alone would not produce an optimal level of education activity. The argument is that the motivations that underlie private investment choices in education only take into account the expected private benefits to the individual. Social benefits are presumably disregarded in the educational investment decisions of individuals and families.

In general, it seems reasonable to expect that the greatest private benefits from education are obtained at the upper levels of the education system. As well, some studies suggest that social benefits (i.e. those not captured by the student in the form of higher private income) are lower at the upper levels, although the evidence is rather uncertain here and is likely to differ considerably depending on the particular program of study. From this perspective one may conclude that government subsidies necessary to achieve the socially optimal level of educational activity should be highest at the lowest levels of education and, except under special circumstances, lower for graduate and professional education. There is, however, an exception to this basic rule. As explained below, with higher levels of education, research scholarship and cultural advance are sometimes significant output of the process; this warrants public subsidies if near-optimal levels are to be obtained.

Freedom of Choice

The provision of a high degree of individual choice commands widespread support in our society, and this objective becomes increasingly valid as persons gain maturity.

In the case of primary and early secondary education, the objective of freedom of choice is not fully applicable since the student has generally not achieved sufficient maturity to choose wisely the curriculum that would maximize his or her private benefit. At the lower levels of education where, according to the argument presented here, subsidies should be greater, complete freedom of choice by students and institutions would not result in the most desirable type of education from the point of view of society. In other words, in the interests of society a certain minimum working level of education is required.

It is in the later stages of secondary education and in post-secondary education that the principle of freedom of choice fully applies; in the choice by the individual student of his programs and courses and in the choice of the institution in its selection of a curriculum and in the allocation of its resources. The Council believes that in both cases the degree of choice, both for the individual and the institution, should be broad.

Cultural and Intellectual Development

Educational institutions have the potential to exert a major socializing influence on members of our society. In principle, the school is a place where a child learns to distinguish between acceptable and unacceptable individual and group behaviour, and where he is encouraged to collaborate constructively with fellow students. During this process he will acquire a certain image of himself, his fellow students, his school, and his community. The education system should provide the proper environment for this cultural development — it should impart to the student a feeling of confidence in himself and his community. Not least, educational institutions pass on to the succeeding generation the traditions and ideals of our cultural heritage, the great treasury of the nation and civilization generally.

Trade-offs Among Objectives

In many policy areas it is usually found that measures designed to move society toward one objective result in a reduced movement toward attainment of some other objective: some trade-off is usually unavoidable.

One of the important trade-offs to be considered in the field of post-secondary education is whether achievement of a greater equality of opportunity is likely to reduce efficiency. For example, economic efficiency could be reduced if greater equality meant that less academically qualified students, ill prepared to take advantage of the resources made available to them, were admitted to post-secondary educational institutions.

In the Council's opinion such a trade-off is unlikely to be significant.

III. PRIMARY AND SECONDARY EDUCATION

The current educational policy of the Ontario government is, in large part, apparently directed toward the realization of the fundamental recommendation of the Hall-Dennis Report, *Living and Learning*.⁸

"To establish, as fundamental principles governing school education in Ontario,

- a) the right of every individual to have equal access to the learning experience best suited to his needs, and
- b) the responsibility of every school authority to provide a child - centred learning continuum that invites learning by individual discovery and inquiry."⁹

Recent policies with respect to curriculum, school organization, planning, and financing are consistent with this second objective.

The stated objective of the Ministry of Education — "the attainment of educational quality and equality for all".¹⁰ — is more concise but conveys a similar impression. Consistent with this objective, the Ministry of Education provides a full range of educational, cultural and recreation programmes. It supports these activities through the provision of physical facilities, qualified personnel, and financial resources.

The Ministry of Education, however, is not the only party involved in setting education policy in Ontario. The Ministry is responsible for the overall policy of the educational system, but a great deal of responsibility also rests with the local school boards in the province. There are in addition, strong policy influences from municipal councils, such teachers' organizations as the Ontario Teachers' Federation or its affiliate the Ontario Secondary School Teachers' Federation trustees' organizations and, of course, the general public.

Curriculum Policy

The role of the Ministry, as a general education policymaker, is apparent in its influence on the school curriculum. The Curriculum Development Branch of the Ministry refrains from providing detailed teaching outlines, but it develops and issues general curriculum guidelines for the school system. In addition, it issues a list of recommended text books and teaching materials. Teaching methods and exact course content, however, are the responsibility of the individual teacher and his or her school, subject to the requirement that they fall within the context of the Ministry guidelines: if a teacher or school wishes to offer a course or program that lies outside of the guidelines, the course outline is submitted to the Ministry for approval on an experimental basis. The Ministry guidelines are developed in conjunction with teachers specializing in the particular subject matter areas, rather than being exclusively developed by Ministry personnel.

The Hall-Dennis report recommended a flexible curriculum which would provide much more opportunity for choice by the individual pupil, but still within broadly defined limits:

"Any policy which predetermines the total structure of a curriculum and attempts to impose it upon all, should be condemned. Such an approach is in complete antithesis to a learning program which seeks to develop the potential of every child."¹¹

The Hall-Dennis report also recommended that a much wider learning experience be provided which would be "pertinent to the needs and interest of the learner,"¹² and which could be related to cultural interests or needs, contemporary issues, health, leisure and recreation.

The present secondary school program in Ontario offers this flexibility and scope of curriculum. Secondary school courses are grouped into the four major categories of Communications, Social and Environment Studies, Pure and Applied Sciences, and Arts. Students must earn 27 credits — at least three in each of the four categories — in order to obtain a graduation diploma.¹³ A further requirement, introduced for those entering secondary school in the 1974-75 school year, is the inclusion of four credits in English studies and two credits in Canadian studies in the diploma programme.¹⁴ However, this system still allows enormous flexibility and enables the individual student to tailor his programme to his own abilities and interests.

Curriculum policy is not static. It is reviewed by the Ministry of Education on a six-year cycle; this cycle includes a research stage, a development stage and an implementation stage.

Financial Policy

The Government of Ontario funds about 60 percent of the total operating cost of primary and secondary education from general revenue; the remaining 40 percent of the required funds come from school boards, the money being raised through municipal property taxes.¹⁵ The exact proportion of funds from each source differs among the boards because of the lack of province-wide uniformity in the assessment of real property and differences in the rate of tax. It is the objective of Government policy to equalize the assessment. Provincial grants to school boards reflect this policy: a greater proportion of total funds is provided to boards where the assessment is lower.

Local school boards establish the budgets for the operation of schools in their jurisdiction, within the spending guidelines established by the Ministry.

During the latter part of the 1960's, education expenditures were rising very rapidly. In order to place some controls on this spending, the government initiated overall expenditure ceilings in 1971. These expenditure ceilings were applied on a per student basis; there were, however, two separate ceilings, one for elementary schools and a higher one for secondary schools.* Further modifications to the funding mechanism were made in 1972; they took the form of a weighting system to be applied to student numbers and were designed to recognize particular needs of individual boards, such as, for example, the higher cost involved in educating inner city pupils. A portion of these extra costs that may be incurred by a local board are reflected in an increased burden borne by the local taxpayer; the rest is borne by the Provincial Government.

** One is given to understand that these expenditure, as distinct from grant, ceilings were lifted by the Minister of Education in his statement of December 18, 1975.*

The spending constraints were only applicable to what are called "ordinary" expenditures; these include salaries, maintenance supplies, and other costs which all schools incur. "Extraordinary" expenditures include items which are not necessarily common to all boards and consist primarily of debenture payments and transportation expenditures. On the average, in order to lighten the burden on those school boards having large extraordinary expenditures, the provincial government pays about 75 percent of these costs. The funding mechanism for the public and separate school systems is the same, except for the extent of the provincial support. The public school system receives grants based on enrolment in all grades from junior kindergarten to grade 13 inclusive. In the separate school system, however, only enrolment in grades 1 through 10 inclusive is eligible for grants, and the expenditure ceilings applied for all grades were the lower, elementary school constraints.

Capital expenditures on new school facilities are eligible for grants from the province.¹⁶ Building plans must be approved by the province and funding is on the basis of space and cost standards. It is normally anticipated that about 90 percent of the actual cost will be covered by provincial grants although, depending on the tax base available to the school board, this proportion may fall as low as 75 percent. The Committee on the Costs of Education¹⁷ recommended that, because elementary and secondary school enrolments are decreasing each year, provincial capital expenditures should be limited to \$50 million per year. The provincial government has not seen fit to implement this recommendation. Annual capital expenditures have been maintained at about twice the suggested level.

Nevertheless, it is broadly correct to conclude, as indicated in this report, that Provincial government policy in the last few years has been one of financial restraint. It is also reasonable to assume that this is a direct response to public concern over rapidly increasing costs of the school system.

Organization

The structure of the Ontario educational system is not simple, nor is the role of the agencies and individuals in the operation of the system. Frequently it is not clear where decision-making power resides.

Basically, the system works as follows: The Ministry of Education, as has been discussed, is responsible for setting general education policy and provides a portion of the funding of the system. There are nine regional offices of the Ministry throughout the province. They were established to facilitate Ministry/School board liaison and to ensure that all boards have equal access to necessary resource personnel. Local school boards are responsible for the daily operation of the schools within their jurisdiction, for the provision of new school buildings, and for the assessment of the special educational needs in their communities.

Boards are composed of elected representatives. Working for them are a director of education and his staff. There are, at present, about 200 boards in Ontario, much reduced from the over 4,000 boards that existed in the mid-fifties.¹⁸ This is a direct result of the regionalization policy of the government. Because the publicly supported education system provides for the existence of Roman Catholic separate schools, the boards of education, however, are not uniform. Some are separate school boards, some are public school boards, some are combined boards, and some administer special educational facilities.

A school board is responsible for the hiring of principals and teachers. Although *The Education Act, 1974*¹⁹ defines teacher's duties and responsibilities, some of the terms of employment and, in particular, salaries, are negotiated between the teacher or the local teachers's association and the board.

The principal is in control of the operation of his or her particular school. In this role, the principal assists in the hiring of teachers, acts as school administrator, is an advisor to the teachers in the school and carries out a liaison function with the community. The teacher is, of course, ultimately responsible for the particular program being taught.

Enrolment

Total annual enrolment in the Ontario primary and secondary school system has started to decline, following the rapid growth of the last two decades. The peak was reached in 1971-72 with an enrolment of just over 2 million.²⁰ The declining birth rate, the main cause of the trend in enrolment, shows no sign of reversing. Immigration, which has been a significant contributory factor in enrolment growth in the past, is unlikely to make up for the declining birth rate; this is, however, an open question pending Federal Government decisions on immigration policy. On balance, it is highly probable that the enrolment in the school system will continue to decrease over the next decade. In the current year, declines in annual enrolment are evident in grade 10 and below, while higher grades will show some increases.²¹

This phenomenon, however, is not uniform across the education system. The distribution of enrolment is changing with enrolment growth in some newer residential areas and significant decreases in the more established areas. This uneven pattern of enrolment growth has important implications for the allocation of teaching resources and physical resources within the province. How can school buildings be used efficiently in areas where demand is falling off? Should teachers be moved to areas of growth?

Basic Skills

The Council is aware of a major public concern about the lack of quality of the education received by students, particularly at the primary and secondary levels. There is, certainly, evidence that students leaving the secondary education system are not adequately equipped with basic arithmetic and communications skills. A recent cross-Canada survey,²² which involved officials from 50 universities and 70 community colleges, confirmed that english and mathematics were the areas in which high school students were particularly deficient. Over half of those surveyed stated that their first year students were lacking skills in both areas.

The lack of such skills obviously limits the ability of a student to perform well in post-secondary education institutions or in the labour market. It often necessitates additional training by employers or by post-secondary institutions. The large number of remedial courses offered by universities is indicative of the inadequacy of preparation at the secondary school level. The need for remedial training at the post-secondary level indicates a costly and inefficient use of resources.²³

This kind of criticism is not confined to the secondary school system. It has been argued that the period of rapid growth in universities in the sixties, and the more recent competition for students in the effort to maintain university revenues, have encouraged lower admission standards and a decrease in the quality of education provided by universities.

Nevertheless, the criticism related to the inadequacy of training has focussed on the broad and flexible curriculum and the course credit system in secondary schools. The emphasis in the curriculum has shifted from the acquisition of fundamental tools to the provision of a general learning experience: it is argued that students are able to choose courses to make up the necessary credits for their diploma and to avoid those courses that would give them adequate training in basic mathematical and language skills.

The flexible curriculum system, in fact, may not be entirely to blame. Technological change may be another contributing factor. The increased importance of television in the lives of school children, for example, may result in the reading of fewer books and a resulting failure to develop adequate reading skills.

Screening processes previously tested the basic skills of students prior to entry into post-secondary education; these have been abolished. The province-wide Grade 13 examinations have been eliminated. The Standard Aptitude for Colleges and Universities (SACU) tests that were used to assess students for entry into Ontario universities have been discontinued.

It is important that a high standard of excellence should be maintained in all streams of the secondary school system — for those students who continue into post-secondary education and for the 80 percent of the 18-24 age group who choose alternative directions.

The policy framework advocated in this report notes that, although freedom of choice is an objective of the education system, it should be restricted at the lower levels to the extent necessary to ensure the production of those social benefits for which the taxpayer is paying. It is difficult to imagine benefits more social in nature than basic literacy or an understanding of fundamental mathematics.

It is not clear whether a policy aimed at upgrading the basic communication and mathematical skills of students requires a major move away from the highly flexible system now present in the schools. The government regulation in 1974, which required that a certain portion of the total secondary school credits must be courses in English studies, was a step in the direction of less flexibility. This change may not have much effect, however, because the student can still avoid courses which teach the basics of reading and writing. At the other extreme, the curriculum system could be changed to make most subjects compulsory throughout secondary school training. This would be a return toward a highly structured curriculum. It would run counter to the objective of tailoring the curriculum to the individual and allowing individual freedom of choice.

Between these two extremes is the concept of a core curriculum under which a few specified courses would be compulsory and the majority optional. The Council feels this

alternative is worthy of careful consideration. A core curriculum might, for example, require specified courses in English, mathematics, and French; this should improve the prospect of students being well equipped with those basic skills essential either for post-secondary education or for the labour market. The Council believes that the restrictions on individual and institutional freedom of choice, inherent in such courses being compulsory, are justifiable if the result was improvement in basic skills and the securing of social benefits for which taxpayers are, in part, paying.* These restrictions would appear to be the price necessary for the school system to give the community more value for its money.

The objective of basic skill acquisition should be placed first on the list of objectives in the on-going reviews of curriculum content and organization at all levels of the school system.

A move toward more testing of students would provide a greater incentive for teachers to teach and for students to acquire the basic skills. Such tests would help to ensure that standards remain high in the core subjects and roughly uniform throughout the province; this would be particularly evident if they were administered at several points throughout primary and secondary education as well as at the end of the secondary education system.

Provincial tests in the core subjects would be useful in another sense. The Council has expressed concern over bright students from low income families dropping out of school too early; it was noted that they may drop out because they have not been led to expect to proceed to higher levels or because the family needs the money the boy or girl can earn or for other reasons.

Core subject tests in the earlier grades could improve the prospect of identifying those with high potential. A cash grant scheme for students of school-leaving age then could be devised which took into account the measured academic performance of the child in the core courses and family income. Larger grants could be made to those with the high standing and less privileged family circumstances.

Such a system would raise the expectations of gifted children, give them prestige in the home and community at a time when it is badly needed, and relieve the financial burden on their parents. The Council is of the view that this approach should receive consideration by the Government of Ontario. It should, at least, be tested on a limited scale experimental basis. It cannot be emphasized too strongly, however, that maximum effectiveness is much more likely to be achieved if the decisions to make grants, based on testing and family income, are made as early as possible. Particular concern should centre on the talented child who might drop out between grades seven and eleven, as soon as he reaches the legal school-leaving age.

The Council believes that the greatest possible latitude in the selection of the particular school their children will attend in the municipality should be allowed to parents. Some

* *The need for basic arithmetic and communication skills training is not confined, of course, to secondary schools. A good grounding in early school years is essential for student success at the secondary level. Concern has not been focussed on the primary level in this paper because little freedom of choice exists there.*

progress in this direction has been made in secondary education, at least in some municipalities.²⁴ If there were universal testing in the core subjects, and if the average results were made known to parents on a school-by-school basis, and — subject to obvious physical capacity limitations — if parents were free to enrol their children in the schools of their choice a healthy element of competition would be introduced among schools in the system.

Costs

The imposition of expenditure ceilings in 1971 was indicative of the Ontario Government's recognition of the need to control expenditures for primary and secondary education. These ceilings have apparently had some influence: costs per student in constant dollars are still rising, but, as noted earlier, it is at a slower rate.

Salary demands of teachers are a factor in the large increase in public spending on primary and secondary education. Bargaining takes place between the local affiliate of the Ontario Teachers Federation and the local school board. In recent years the scope of negotiations with respect to the terms of collective agreements have become much broader. Salaries and fringe benefit scales are no longer the only items covered. Maximum class size, pupil-teacher ratio and the number of hours of work are common items for negotiation. The imposition of spending ceilings and concern about job security when enrolments are declining have led to much more aggressive bargaining by the teachers.²⁵ Confrontations between teachers and school boards have become commonplace. In support of their demands, on a number of occasions teachers have resorted to strikes. Recent provincial legislation has granted the teachers the right to strike and school boards the right to lock them out.

A large proportion of the funds with which they are bargaining are provincial and, as a result, local boards may not have appropriate incentives when reaching salary agreements with teachers: not all of the funds come from municipal property taxes and therefore school board spending is not fully a specific burden on those who have elected the school board.* Perhaps school board bargaining behaviour would be rather different if more of the financial burden of the resulting agreement were laid on the municipal or, better still, the school board doorstep. In fact, the Minister of Education, in his December 18, 1975 announcement, has moved in this direction. He has stated that "any per-pupil spending that exceeds a board's grant ceilings will not be eligible for Provincial assistance".

Settlement by one board can have a major influence on settlements by the other 200 boards in the province. It makes good tactical sense for the Teachers' Federation to "pick-off" the weakest boards first and to use these settlements as precedents when bargaining with stronger boards.

A school board whose equalized assessment per pupil is the same as the provincial average receives a per pupil grant from the Government of Ontario of 62% of "recognized maximum ordinary expenditures". Depending on any given school board's equalized assessment per pupil this percentage figure can vary from a low of 33% for wealthier boards to a high of 91% for the least wealthy. For 1976 "recognized maximum ordinary expenditures" are \$1,080 for each elementary school pupil and \$1,556 for each secondary school pupil.

Teachers' salaries, of course, are not the only reason for high expenditure levels on education.* The Provincial Government's Committee on the Costs of Education²⁶ has outlined a number of areas where more efficient use of resources could be made. In particular, it suggested better utilization of school buildings and more efficient school transportation facilities. The problem in the case of school buildings is planning for the better utilization of facilities as enrolment declines and/or enrolment patterns shift.

Limiting the rate of increase of public expenditure on education is difficult. Expenditure ceilings are a useful policy device if the ceilings represent real limitations. But if they are to have any effect they cannot be raised in response to school board pressures. If the provincial ceilings are maintained, and if unduly large demands for salary increases are met by school boards, an intensified squeeze is put on maintenance and supplies expenditures to keep spending under the ceilings. In the longer run this may seriously erode the quality of the system.

A possible approach to salary negotiations would be for the province to negotiate minimum teacher salary increases with the Ontario Teachers' Federation and give the local boards the opportunity to pay more if they desired. These minimum increases, as well as other school expenditures, would continue to be funded on a provincial-municipal shared basis as at present but any amount paid above the minimum which was negotiated between the local school board and its teachers would come from municipal tax funds and not from provincial sources. The result would be that the local school authorities would be bargaining in the harsh light of the local taxpayers' interest about the use of local funds. There would be no centrally imposed limit on the satisfying of local demands but the local residents would have to pay any cost differences.

If enrolment declines and competing pressures for public funds continue as both are likely to do, the numbers of teaching staff and the scope of curriculum undoubtedly will become a subject for collective bargaining. The two-level approach to bargaining also could be used in this case: the province would set minimum standards and divergence from these standards would be negotiated and funded at the local level.

The Council is well aware that the issues are complex and controversial but it believes that the procedures outlined above warrant serious consideration.

* *The Hall-Dennis Report and the Ontario Legislature's Select Committee on Youth recommended that phasing out of Grade 13 and the incorporation of its curriculum within the first twelve grades. Their recommendation is based on the argument that present-day students are prepared for entry into post-secondary education after Grade 12 and that the saving of a year in this time of the student's life is extremely important. This recommendation has not been implemented and Ontario remains the only school system in Canada with Grade 13. Phasing out of Grade 13 could result in significant cost saving for the school system.*

IV. POST-SECONDARY EDUCATION

During the first half of the nineteen seventies, post-secondary education in Ontario, as in the rest of North America, changed from an environment of rapid growth to one of moderate enrolment increases and financial restraint. In the latter part of the nineteen sixties — the boom period of post-secondary education — the post-war baby population reached university age and annual enrolment increases were high. Operating finances were abundant. The expansion of capital facilities — buildings and equipment for instruction and research — was pronounced. Salaries, working conditions and career prospects were attractive and the number of academic faculty members grew rapidly.²⁷ Graduate education expanded greatly in part because greater value was placed by employers on higher degrees, and in part because University and college teaching posts were available. Governments played an increased role in the higher education system and, indeed, were probably largely responsible for the rapid development of post-secondary education. During the decade of the sixties the Government of Ontario established new universities and set up the system of Colleges of Applied Arts and Technology.

Financial Policy

The large increases in funds necessary for rising university and college operating expenses came primarily from increases in government grants and not from increases in student fees. The federal government assumed increased importance in post-secondary education during the decade. Research grants by federal agencies increased markedly.²⁸ The Federal Government's involvement in funding university operating expenditures escalated dramatically with the 1967 *Federal Provincial Fiscal Arrangements Act*; under this Act the Federal Government agreed to reimburse the provincial government for 50 percent of the approved operating expenditures of post-secondary education institutions. The federal government did not deal directly with institutions but through the provincial governments.*

This period of rapid growth probably has ended. In 1972 increases in the enrolment in universities fell dramatically.²⁹ There were a number of contributing causes. The rate of growth slowed for those population groups with the highest university and college participation rates. Young people became disenchanted with universities when they realized that a university degree would not necessarily ensure them a better job on the labour market. Many young people chose to attend Colleges of Applied Arts and Technology, where they would receive job-oriented training. Greater numbers of students leaving high school dropped out of the education system or were part of the new "stop-out" phenomenon — they took a year or two to work or travel before resuming their formal education.

This phenomenon was not restricted to those leaving high school: it also included many already in college or university. Graduate education lost some of its appeal. Many students

* The federal government reimburses each provincial government through tax point transfers and a cash adjustment payment.³⁰ The agreement, subject to renegotiation in 1977, tends to favour those provinces which are able to spend the largest sums of money on higher education.

who, upon completion of an undergraduate degree would have continued into graduate school in the nineteen sixties, chose to enter the labour market rather than proceed to a higher degree. (See Table 2 of Appendix 'A' for data concerning enrolment trends in Ontario higher education).

There has been some recovery in post-secondary enrolment in the last two years. This has been accompanied by a distinct shift away from arts and humanities programmes and into science and professional programmes and the more job-oriented training programmes of the CAATs. The demand for graduates from non-professional faculties has been weak. There has been a tremendous growth in part-time enrolment, both in CAAT's and universities.³¹ The trends seem to indicate that, in the minds of higher education students, job training now is considered more important than it was during the late sixties.

The CAATs have a major role as suppliers of training for the Canada Manpower Training Program (CMTP).³² The program, administered by the Federal Department of Manpower and Immigration under the *Adult Occupational Training Act* (1967), provides general academic upgrading, teaches English as a second language, and provides technical and business skill training for adults. Candidates are selected for this training by the Canada Manpower Centres. The financial arrangement is that the federal government offers to purchase a specified number of training days from the provincial government: the provincial government acts as the "exclusive broker" for the CAATs, the actual suppliers of the training.

Public expenditures on higher education have been constrained in recent years, as noted earlier in this report. After large expenditures on capital facilities for universities and colleges in the late sixties and early seventies, a moratorium was placed on capital funds by the Government of Ontario in November, 1972. Only buildings for which approval had already been given were eligible for additional funds. The Colleges of Applied Arts and Technology — where enrolment was still increasing rapidly — and those universities still experiencing space shortages were particularly hard hit. This moratorium still applies to new buildings, although some government funds have since been made available for cyclical renewal. Upgrading grants have been much smaller in the last few years than in the boom period of the nineteen sixties. In some years these increases have not matched inflation rates.

The Minister of Colleges and Universities has stated that for 1976-77, colleges and universities may not raise additional revenue by increasing student fees.³³ University fees were raised by \$100 for undergraduates and \$300 for graduates in 1972-73 and have since remained constant. Fees for CAAT students have remained unchanged. The student fee component of university and college revenue as a consequence, has declined. Government control over the expansion of higher education also increased with the imposition of an embargo on new graduate programmes in many fields. This embargo is removed only after the field has undergone a planning assessment. New graduate programmes in universities are not approved for financing until they have undergone an extensive appraisal procedure.

The imposition of these constraints by the provincial government was likely a result at least in part of the increased competition for public funds from other areas. It may also

have been reinforced by some sense of public disenchantment with institutions of higher education. A desire on the part of government to make the post-secondary education system more efficient no doubt also played a role.

The distribution of government operating grants among the universities and colleges in the Ontario system has been accomplished by an enrolment-based formula since 1967-1968.³⁴ Each academic programme is assigned a "weight"; this weight represents roughly the relative cost of that programme when compared to an undergraduate arts programme — the undergraduate arts program being given a weight of 1.0. The undergraduate engineering weight, for example, is set at 2.0, implying that it costs the university about twice as much to educate an undergraduate engineer as an arts student. Enrolment in each programme is multiplied by this assigned weight to arrive at the number of Basic Income Units (BIU's). The grants to the university are calculated by the establishment annually by government of a fixed dollar value per BIU and this value is related to the total BIUs and the student fees deducted: specifically, if the engineering student's fees, for example, were \$650 and the dollar value for the BIU in 1975-76 were \$2,200, this student would generate $(2.0 \times 2,200) - 650 = \$3,750$ revenue in government grants for his university.

The formula is applied in the same manner to all universities, except that extra-formula grants on a discretionary basis are given to some institutions on the ground of such special needs as small size, geographical location and bilingualism. These extra-formula funds form only about 2 percent of the grants from government to universities but they are highly contentious. Questions of equity in the treatment of institutions arise when the grants are on a discretionary basis — and this is all the more so when there is a single formula applied to other institutions.

The CAATs were subject to an operating grant formula from 1967-1968 to 1974-75. But for 1975-1976 the government has replaced the formula with an incremental budgeting mechanism, although this is still tied closely to enrolment.³⁵

The Ontario Government has maintained an 'open-door' policy on admissions to universities and colleges while at the same time tightening the purse strings. It is the Government's policy that there is a place in an Ontario university or college for every academically qualified student who wishes to attend. No restrictions on enrolment, such as over-all quotas, exist for the system as a whole although some institutions have imposed their own limits. The method by which funds are distributed to individual institutions encourages them to enrol as many students as they can accommodate: the additional revenue from government grants from an extra student in some cases may be greater than the marginal cost of adding the student.

How has the financial constraint affected colleges and universities? To some extent, post-secondary institutions probably had excess capacity which had been accumulated during the boom years of the late nineteen sixties. But there have been many enforced cutbacks, primarily in library books, support staff, maintenance, replacement of equipment and supplies.³⁶ Financial stringency measures have not required major cutbacks so far in the number of faculty and staff: there are barriers to changes in faculty size imposed by the tenure system prevailing in the universities and by the unionization of the teaching and support staff in the CAAT's. However, institutions have shifted to the use of term appointments, have abolished many unfilled positions or positions which become

vacant, have held salary increases down and have increased workloads for faculty and staff.

The period of financial constraint may also have encouraged uniformity among higher education institutions in terms of their program offerings. Lack of operating funds appears to have lessened the incentive for diversification or specialization in particular discipline areas. Little money has been available for innovation in either curriculum or teaching methods.

In institutions that are as highly labour-intensive as universities and colleges — approximately 80 percent of operating expenditures are for salaries, wages, and fringe benefits — cutbacks made in other areas cannot, in the final analysis, solve the problem. There is a limit to the savings that can be realized if attention must focus on only 20 percent of the operating budget. The trend to faculty unionization, as at Carleton University, is in part a response to the realization on the part of faculty members that substantial further savings can ultimately only come out of the salary component.

There is a concern on the part of colleges and universities that the quality of higher education in Ontario will decline significantly if the financial squeeze continues. It is difficult to assess to what extent this is now happening.

A major issue, then, facing post-secondary education in Ontario is the financial question. How can institutions cope with a continuation of the existing financial constraint? How severe should it be? Are there alternatives to the present financing methods which would improve the financial picture for the universities and colleges without encouraging inefficiency? *

Another major issue in higher education is institutional autonomy. There is reason to be concerned about the increasing government control of colleges and universities, an increase that is largely an outgrowth of the fact that government is now the prime source of funds. The Council is concerned that there may be a tendency for Ontario universities and colleges to an increasing extent to become directly administered by government.

Buffer organizations between higher educational institutions and government provide an important protection against government intervention. An independent body recommending the appropriate allocation of government funds between universities and assessing the basic financial needs of the universities is, in our view, absolutely essential for the protection of the public interest. This is the job now performed at the university level by the Ontario Council on University Affairs. However, we believe that the most fundamental form of protection from unwarranted government interferences for institutions of higher learning is through greater financial independence. Alternative financing schemes need to be investigated for Ontario colleges and universities with this goal, among others, in mind.

**The 14.4 percent increase in provincial grants to post-secondary education for 1976-77 announced in December 1975 by the Minister of Colleges and Universities may improve the financial situation of most institutions, particularly if salary increases are restrained by the federal anti-inflation guidelines.*

Fees

The first step in an alternative financing plan would be to allow colleges and universities to set their fees at whatever level they choose; this would obviously have to be coupled with a change in the university and college grants procedure which ensured that an increase in fee revenue did not automatically result in an equal fall in grant revenue.

Changes in the amount of grant revenue should be made as part of a policy of gradually reducing direct public funding of universities and colleges in favour of increased public funding via students, and, particularly financially poorer students. This more selective approach towards aiding higher education should aim to use fewer public dollars in direct institution grants and student assistance than would be true with a continuation of the existing system.

It is probably not possible to determine, with any degree of precision, the proportion of the benefits of post-secondary instruction that are private as distinct from public — that accrue solely to the student as distinct from being enjoyed by the community as a whole. Nevertheless, as discussed earlier, the Council is of the view that the level of private benefits generally increases as one moves up the instructional ladder — primary, secondary, post-secondary and, finally, graduate and professional. This implies that the proportion of instructional costs borne by the student should be higher at the higher levels. It is the Council's view that the proportion of instructional costs now borne by post-secondary students is too low; this is particularly true of students in professional and graduate programs.

A greater reliance on fees to finance post-secondary instruction would help universities and colleges to maintain their autonomy and permit greater diversity among them, provided the existing link between fee revenue and grant revenue is broken.

There are, however, two other factors that need to be considered. First and most important, higher fees presumably would increase the barrier to post-secondary education for students from low income families. The Council feels that any policy of gradually raising student fees must be accompanied by an improved student grant-loan program; such concurrent policy development would avoid adverse effects on the achievement of the goal of greater equality of opportunity. Some aspects of such a revision in the student grant-loan program are discussed below.

The second factor that needs to be taken into consideration when discussing the question of student fees is that post-secondary institutions — particularly universities — in addition to their instructional role have other roles in society — research, repositories of knowledge, social critics, and so on. There is no reason why the student should pay the full cost of these activities: the benefits are largely public, even though the research and other aspects of University activities undoubtedly bear on the quality of instruction.

There is no satisfactory way to divide the total costs of post-secondary institutions among their instructional, research and other functions. In the end it is a matter of judgement. But the basic point is clear: the greater the extent to which a post-secondary program involves the simultaneous production of some output other than instruction, *per se*, the lower the proportion of its total cost that should be borne by the student.

Bearing all of these considerations in mind, and conscious of the inherent difficulty in making judgments on this question, the Council recommends that changes be implemented in the method of financing post-secondary education such that the following long-term targets can be met by the mid 1980's:

- Target 1. Tuition fees established at the discretion of the post-secondary institution.
- Target 2. University and college grants procedures amended to ensure that an additional dollar of fee revenue does not result in a dollar reduction of grant revenue, but rather results in a significant increase in total university revenues.
- Target 3. University and college grants procedures amended in a fashion which would encourage these institutions, given their freedom to set fees, to establish a fee structure which more adequately reflects the varying levels of private benefit and instructional costs of the various programs of study.
- Target 4. A significantly higher ratio of tuition fees to total post-secondary educational costs than at present, say, something in the order of 25-30 percent.
- Target 5. An expanded system of student aid to ensure continued accessibility to higher education for qualified but financially poor students supplemented with an expanded loan system to ensure sufficient financing for all students; or alternatively an income-contingent repayment loan plan.

Adjustment to sudden changes in expected revenues are not easy for colleges and universities. Similarly, increases in tuition fees must not prove too disruptive to the financial plans of students. From the viewpoint of both the student and the institution, therefore, it is important that the financing changes be phased in gradually over a number of years.

A variety of methods might be used to attain the targets listed above. The particular methods chosen may differ as between universities and colleges, and will depend on the speed with which one approaches these targets. However, the Council holds the view that the targets themselves should apply to both types of institutions.

Without becoming involved in a discussion of all the changes which might occur in the granting system, it is the view of the Council that the weighting procedure now utilized in determining grants should be reviewed. Program areas which now have high relative weights and, concurrently, high private benefits might have their weights gradually reduced. For example, if net private benefits were considered high in the case of medicine, the weight of a medical student would be gradually lowered from its present level and the government grant for medical education would be reduced. Universities wishing to maintain the same level of revenue generated by medical student candidates would thereby be encouraged to raise relevant tuition fees. The institution would be allowed complete freedom in the establishment of fee levels. It is difficult to say the precise amounts by which weights should be lowered and which programmes should be affected. This is a matter for more detailed study.

We wish to reiterate that the system of grant changes suggested here are dependent upon appropriate changes in student aid, particularly as detailed in target 5. The objective of all these changes should be to better align private benefits with the costs of education, to increase university and college autonomy and to preserve access to higher education for students from poorer circumstances. This objective can be achieved, we believe, by moving away from a system where universities and colleges have in the main been funded directly by government to one where a larger portion of state assistance is made by means of subsidies and loans to students themselves, and, in particular, needy students.

Student Aid

A fee increase would undoubtedly have deleterious effects on the achievement of greater equality of opportunity if there were no changes in student aid policy: important changes in the current student aid plan would have to be coupled with any tuition fee increase. The current Ontario Student Assistance Plan (OSAP)³⁷ provides financial aid to students in universities and the CAATs. It does so in the form of loans, furnished by the federal government under the Canada Student Loan Program, and in the form of supplementary provincial grants. Aid is given for total educational needs. Tuition and living expenses are based on an assessment of the student's financial position. The first \$800 of assistance is provided as a loan. The remainder is a non-repayable grant (see Appendix B). Loans are interest free until the first payment six months after graduation, and are then repayable at a low rate of interest. There are ceilings on the total amount of assistance.

The Council questions the efficiency of the present arrangement. It would prefer to see a scheme under which a provincial grant was available to all post-secondary students on a means tested basis. The present method of determining educational costs would have to be altered. In particular, a standard amount would have to be allowed for tuition costs in order to avoid the raising of tuitions by some universities at the expense of student assistance funds, and to ensure equity between students enrolled in low cost (low future earnings) courses and high cost (high future earnings) courses. With the grant in hand, the student could then decide how much to borrow, over and above this sum. As student fees rose, as we suggest they should, the means tested grant could be increased so as to protect accessibility for low income students.

There are obvious problems in applying a means test to students. Some may be truly independent and poor, and therefore in real need of assistance. But it is clear that if grants do not take parental income into account it would be all too easy for students from well-to-do families to claim they were independent when in fact they were not. The Council takes the view that, while an injustice may be wrought on some students who are truly independent (e.g. those who are out of sympathy with and not in communication with their parents and as a result are unable to obtain financial assistance from them), the means test should be based on parental family income.

Any disincentive effects on student participation of higher fees should, in the Council's opinion, also be mitigated by making additional loans available to any student, irrespective of need. If these loans were made at the government's borrowing rate, they would involve minimal additional cost. Interest could conceivably be forgiven until the student graduated. The argument for government provision of student loans is that they are

needed to overcome imperfections in the capital market. This has been discussed. It does not imply that the cost of the capital for student loans should be heavily subsidized; if they are subsidized, the subsidy should not exceed the difference between borrowing rates for the Government and private individuals — i.e., the government rate should be the minimum rate.

An alternative to the conventional loans mentioned above are income contingent repayment loan plans.³⁸ In this case all students can borrow funds, irrespective of need. Repayment of the loan, including the rate of repayment and the portion of the total that is repayable by the student, depends upon his or her ability to pay, as determined by income after graduation. Those entering high income employment would repay their loan over a short period. For those graduates whose income remains low, the repayment period would be longer, and part of the loan might be forgiven if his or her income were sufficiently low. Special terms would be necessary for persons such as married women who chose not to enter the labour force after graduation. Ceilings on loans could increase as tuition fees and other educational costs increased.³⁹

Under the present federal-provincial agreement on the financing of post-secondary education, the cash adjustment payment portion of the transfer from the federal government to Ontario is expected to disappear in 1982. The value of tax points is rising faster than post-secondary education expenditures. By 1982, tax points will comprise the entire transfer. The Federal Government may wish to continue its involvement in post-secondary education. If so, in the Council's view, a useful course would be for it to provide an expanded conventional loan plan or an income contingent student loan plan. The Council suggests that the Government of Ontario actively seek such a move on the part of the Federal government.

Transferability

Generally speaking, students who enrol in the CAAT's find it difficult to shift to a degree program at a university with some degree credits given for their college work.

There are, in effect, two separate streams: a community college stream and a university stream which seldom meet. In the Council's view this is unfortunate. While certainly not universally true, a higher proportion of community college students probably are from lower income families than university students. The CAAT's undoubtedly perform a most useful function in making it possible for many students to acquire knowledge and skills that will increase their earnings and employability. In their absence many college students would, in all likelihood, not have continued their education but would have entered the labour force directly after high school.

What is of concern, however, is that some community college students, having been exposed to a different learning experience than that offered by the secondary school system become, for the first time, interested in one or more of the academic subjects in which universities specialize. It is unfortunate that such students, probably few in number but nevertheless high in potential, tend to be "locked-in" to an earlier decision that was based on inadequate information.

The Council believes that the Government of Ontario should encourage the two kinds of institutions to facilitate, to a greater extent, the movement of students from community colleges to universities without having to begin their programs all over again as a consequence of a system that permits no credit for their college work.

The admission standards for community colleges and universities are admittedly quite different but perhaps an arrangement could be arrived at whereby community college students who attained agreed levels of proficiency in certain required subjects would be deemed to have passed equivalent university subjects that may be offered.

V. SUMMARY AND MAIN POLICY ISSUES

1. This discussion of Ontario education policy has been undertaken within the context of four major objectives: the education system should provide greater equality of opportunity for all citizens; education policy should move toward a more efficient allocation of resources in society; freedom of choice for the individual student as he matures and moves to higher levels of education and for educational institutions at the higher levels of education should be maintained and, if possible, should be expanded; the education system must provide the appropriate environment for the cultural and intellectual development of students. (see pages 5 - 8).
2. At the primary and secondary school level and, indeed, at the post-secondary level, there is much public debate about the quality of the education being provided to students. In particular, the apparent lack of training in basic arithmetic and communications skills in causing concern. Blame for declining quality of education seems to be attached primarily to the degree of flexibility allowed in the secondary school curriculum. Students are not compelled to take basic training in the 3R's with the result, it is claimed, that they are unable to read, write and calculate properly when they leave school for post-secondary institutions and the labour force. Universities, colleges, and businesses have been establishing remedial courses to compensate for these deficiencies. (see pages 12 - 13).

The Council is of the view that, to help meet this problem, basic core courses in English, French and mathematics should be established at the primary and secondary school level, with testing on a uniform, province-wide basis for these subjects (see pages 14 - 15).

3. Core-course tests could serve two additional purposes:
 - (a) A degree of needed competition would be developed that would help to improve quality if the results, on a school by school basis, were made available, and parents were free to send their children to any school in their municipality.
 - (b) Apart from consideration of the individual, society suffers a loss when talented children from deprived homes drop out of school at an early age. The core course test results from primary and secondary schools would help to identify those who should be encouraged to continue. A student grant plan for those of school-leaving age, based on the core course test results and family income, might alleviate this problem. The Council urges that it be tried on an experimental basis in a few municipalities. (see pages 14 - 15).
4. To facilitate the student's choice of entering a post-secondary education programme or entry into the labour market, government should develop procedures designed to provide better information to students concerning career possibilities, earnings expectations and areas of excess supply or demand for graduates. This information would be of great assistance as support material for the high school guidance counsellor. (see page 6).

5. Major issues in the financing of primary and secondary schools are the salaries of teachers and the allocation of provincial-municipal responsibilities. Local school boards bargain with teachers using, in part, provincial funds; the Council suggests that the alternative of the provincial government negotiating minimum salary levels across the system and local boards bargaining with their own teachers for any additional amounts, using municipal tax funds, would be a better system. Existing methods of provincial-municipal sharing for the minimum salaries and the other school expenditures would not be altered. (see pages 15 - 16).

6. The Provincial Government has applied great financial stringency to post-secondary educational institutions in the past few years, (see pages 17 - 19). The current financial pressure on post-secondary institutions probably cannot be maintained without some sacrifice of quality. (see pages 19 - 20).

Moreover, because government subsidies are now such an overwhelming source and fees a relatively much less important source of post-secondary funding, the continued autonomy and diversity of these institutions is threatened.

7. The freeze placed on post-secondary education fees by the Provincial Government has exacerbated a number of problems. (see page 18).

Because there are undoubtedly some substantial public benefits, as distinct from private benefits, resulting from post-secondary education (including research) it would be inappropriate to finance all of it through student fees. (see page 19).

8. The Council recommends that changes be implemented in the method of financing post-secondary education that would enhance the prospect of the following long-term targets being met by the mid 1980's;

- (a) Tuition fees established at the discretion of the post-secondary institution.
- (b) University and college grants procedures amended to ensure that an additional dollar of fee revenue does not result in a dollar reduction of grant revenue but, in fact, results in a significant increase in total university revenues.
- (c) Grants procedures amended so as to encourage colleges and universities, given that they are free to set fees, to establish a fee structure which more adequately reflects the levels of private benefit and instructional costs of the various programs of study.
- (d) A significantly higher ratio of tuition fees to total post-secondary educational costs than at the present time (e.g. 25-30 percent of total costs).
- (e) An expanded system of grants to ensure continued accessibility to higher education for qualified but financially poor students, supplemented with an expanded loan system to ensure sufficient financing for all students; or alternatively, an income-contingent loan plan. (see page 22).

9. Greater flexibility in the post-secondary education system could be attained by facilitating the movement of students from the Colleges of Applied Arts and Technology to the universities. Both types of institution should be encouraged to promote such transferability. (see page 24).

DISSENTING COMMENT

I dissent from the proposal that we return to some centralized system of testing because of the inflexibility and emphasis on exam-passing which that requires, to the exclusion of other considerations about the process of learning. The Council's evidence that the language and mathematical ability of our students is low is not in my opinion conclusive, but whether it is or not, improvement will come from a higher quality system, not from standardized testing.

I disagree with the suggestion of Province-wide bargaining for teacher salary minimums and local bargaining for additional salary levels. Such a system would inevitably result in better salaries, and better quality education, in the more affluent communities and less in the others. It may be that Province-wide bargaining for the total salary levels would be appropriate, but this would be for the Province and the teachers' bargaining representatives to work out.

Proposals to increase tuition fees, even when combined with an extended grant system, will only continue and likely exacerbate the inequities which exist in the availability of higher education. The affluent will be able to afford the fees, others will have to face both means and merit tests. Tuition fees should be reduced and, as soon as possible, eliminated. An educated and skilled citizenry is a public asset — the acknowledgment of private gain should be reflected in career tax payments and other such contributions to the common weal.

I support, without reservation, the Council's recommendations concerning the need to provide much more complete labour market information for students preparing for post-secondary education, and the desirability of providing transferability with credits from colleges of applied arts and technology to the universities.

Lynn R. Williams

APPENDIX A

SELECTED STATISTICS

TABLE 1
PERCENTAGE DISTRIBUTION OF FUNDS FOR ONTARIO EDUCATION
SYSTEM BY SOURCE
Selected Years 1965-66 To 1972-73

YEAR	FEDERAL GOVERNMENT ¹	PROVINCIAL GOVERNMENT	MUNICIPAL GOVERNMENT	FEES	OTHER
PRIMARY AND SECONDARY EDUCATION²					
1965-66	4.1	45.6	44.6	2.6	3.1
1969-70	1.8	50.3	44.0	1.8	2.1
1970-71	1.5	53.4	41.4	1.7	2.0
1971-72	1.4	57.9	37.0	1.7	2.0
1972-73	1.0	57.7	37.4	1.9	2.0
POST-SECONDARY EDUCATION					
1965-66	15.8	59.6	.3	11.9	12.4
1969-70	10.4	72.3	.1	9.4	7.8
1970-71	9.3	74.1	.1	9.4	7.1
1971-72	9.4	77.2	----	10.4	3.0
1972-73	10.2	65.9	.1	11.2 ³	12.6

SOURCE: Statistics Canada, Cat. No. 81-229.

NOTES: 1. After 1967, federal funds paid as transfers to the provincial government are included as provincial expenditure.

2. Includes private schools, Indian schools, and schools for the blind and deaf.

3. Tuition fees were raised in 1972-73.

TABLE 2
ENROLMENT IN THE ONTARIO EDUCATION SYSTEM
1964-65 To 1974-75

YEAR	ELEMENTARY AND SECONDARY ¹		POST-SECONDARY NON-UNIVERSITY		UNIVERSITY	
	No. of Students	% Change	No. of Students	% Change	No. of Students	% Change
1964-5	1,725,107		20,208		50,793	
1965-6	1,791,872	3.9	21,506	6.4	58,983	16.1
1966-7	1,854,482	3.5	25,298	17.6	68,589	16.3
1967-8	1,919,586	3.5	34,014	34.5	79,089	15.3
1968-9	1,980,919	3.2	45,371	33.4	92,589	17.1
1969-70	2,037,893	2.9	49,775	9.7	108,012	16.7
1970-71	2,074,615	1.8	55,017	10.5	120,497	11.6
1971-72	2,083,951	.5	58,308 ²	6.0	126,456	4.9
1972-3	2,081,462	-.1	54,040	-7.3	133,505	5.6
1973-4	2,064,690	-.8	55,399	2.5	141,383	5.9
1974-5	2,051,717	-.6	58,400	5.4	149,800	6.0

SOURCES: Statistics Canada, Cat. No. 81-229, 81-220, and 81-201.

NOTES: 1. Includes private schools, Indian schools and schools for the blind and deaf.

2. Ryerson Institute of Technology was included with the non-university sector in 1971-72.

TABLE 3

EXPENDITURES ON EDUCATION IN ONTARIO Selected Years 1965-66 To 1973-74 (\$'000)

YEAR	ELEMENTARY AND SECONDARY		POST-SECONDARY			
	\$'000	Change	NON-UNIVERSITY		UNIVERSITY	
			\$'000	% Change	\$'000	% Change
1965-66	880,451		32,701		276,784	
1969-70	1,680,712	-----	108,564	-----	696,620	-----
1970-71	1,901,254	13.1	140,345	29.3	788,039	13.1
1971-72	2,071,356	8.9	217,189	54.8	832,993	5.7
1972-73	2,224,054	7.4	220,422	1.5	814,557	-2.2
1973-74	2,406,337	8.2	208,923	-5.2	901,306	10.6

SOURCE: Statistics Canada, Cat. No. 81-208 (for 1965-66) and 81-229 (from 1969 on)

TABLE 4

PARTICIPATION RATES IN ONTARIO POST-SECONDARY EDUCATION
RATIO OF FULL-TIME ENROLMENT TO 18-24 YEAR-OLD POPULATION

YEAR	NON-UNIVERSITY POST-SECONDARY	UNIVERSITY	TOTAL
1965-66	.03	.09	.12
1966-67	.03	.09	.13
1967-68	.04	.10	.15
1968-69	.06	.11	.17
1969-70	.06	.13	.18
1970-71	.06	.13	.19
1971-72	.06	.13	.19
1972-73	.05	.14	.19
1973-74	.06	.14	.20

SOURCE: Full-time enrolment from Table 2 : 18-24 year-old population estimates for 1973 based on Ontario Statistical Review data.

TABLE 5
EXPENDITURES PER FULL-TIME STUDENT IN ONTARIO
EDUCATION SYSTEM
Selected Years 1965-66 To 1972-73

YEAR	PRIMARY AND SECONDARY			POST-SECONDARY		
	CURRENT \$/STUDENT	CONSTANT ² \$/STUDENT	% CHANGE	CURRENT OPERATING \$/FULL-TIME STUDENT	CONSTANT ² OPERATING \$/FULL-TIME STUDENT	% CHANGE
1965-66	491	450	----	2242	2053	----
1969-70	825	646	12.7			7.1
1970-71	916	685	----	3455	2703	----
1971-72	994	720	6.0	3728	2786	3.1
1972-73	1069	739	5.1	4046	2930	5.2
			2.6	4151	2869	-3.4

SOURCES: Tables 1, 2 and Statistics Canada, Cat. No. 81-229.

NOTES: 1. Includes private schools, Indian schools, and schools for the blind and deaf.

2. GNP implicit price deflator used; Economic Review 1975-finance.

APPENDIX B

EXAMPLE OF STUDENT AID UNDER

STUDENT ASSISTANCE PROGRAM

Example of Student Aid under Ontario Student Assistance Program *

As an example, OSAP assistance is calculated for a single female applicant qualifying for independent status who hopes to attend a thirty-two week third year CAAT programme. She lives eight miles from the campus, worked during the summer and will earn \$750 working part-time during the year.

Educational Costs:

Tuition and Compulsory fees	285
Books and Equipment (actual cost)	100
Board and lodging (32 weeks at \$40.00)	1,280
Miscellaneous Expenses (32 weeks at \$11.50)	368
Local Transportation (32 weeks at \$ 3.00)	96
Uninsurable Medical Expenses	50
Total Costs	\$2,179

Financial Resources:

Contribution from summer earnings	688
50% of earnings over \$600 for part-time work	75
Total Financial Resources	763

Financial Need:

Educational Costs less Financial Resources	\$1,416
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OSAP Assistance:

Loan	\$800
Grant	616

*Source: "Ontario Student Assistance Plan, 1975-76", pamphlet, Ministry of Colleges and Universities.

FOOTNOTES

CHAPTER I

1. Ministry of Treasury, Economics, and Intergovernmental Affairs, *1975 Ontario Budget*, April 1975, p. C-13.
2. Statistics Canada, *Education in Canada*, 1973, publication 81-229, pp. 464-466 and Ministry of Colleges and Universities *1972-73/1973-74 Statistical Summary*.
3. Statistics Canada, *Education in Canada*, 1973 publication 81-229, pp. 464-466.

CHAPTER II

4. This conclusion and an overall picture of this correlation are given in D.G. Hartle, "The Financing of Higher Education in the 70's: A Viewpoint from Ottawa", in *STOA, Canadian Journal of Higher Education*, III-2, 1973, p. 128.
5. E.G. West, "Efficiency versus Equity in Higher Education", *Carleton Economic Papers*, 73-03. Ottawa, 1973, p. 10.
6. *Ibid.*, p. 10.
7. See, for example, W.L. Hansen and Burton A. Weisbrod, *Benefits, Costs and Finance of Public Higher Education*, Chicago 1969.

CHAPTER III

8. *Living and Learning*, The Report of the Provincial Committee on Aims and Objectives of Education in the Schools of Ontario, Ontario Department of Education, Toronto, 1968.
9. *Ibid.*, p. 179.
10. *The Role and Structure of the Ministry of Education*, Ontario, released September 1972 by the Hon. T.L. Wells, Minister of Education.
11. *Living and Learning*, op. cit. p. 60.
12. *Ibid.*, p. 181.
13. Ministry of Education, Ontario, *Who's Responsible for our Children's Education*, pamphlet, 1975.
14. *Ibid.*

15. For a full description of financing of the school system, see the *Committee on the Costs of Education, Province of Ontario, Interim Report Number Seven*, June 1975.
16. *Committee on the Costs of Education, Province of Ontario. Interim Report Number Two*, October 1972, p. 16.
17. *Ibid.*, p. 16.
18. Ministry of Education, Ontario, *Report of the Minister of Education 1955-1974*.
19. Ontario, *The Education Act, 1974*, Bill 72.
20. See Appendix A. Table 2.
21. Ministry of Education, Ontario, *Education Statistics 1974* and *Ontario Elementary and Secondary School Enrolment Projections 1975-1984*.
22. The Canadian Chamber of Commerce, *Report on Basic Educational Skills*, June 19, 1975.
23. *Ibid.*, pp. 5 - 7.
24. The extent to which transfers are allowed depends on the individual school board and the availability of space for the student in the school to which he applies. In Metropolitan Toronto, interborough transfers as well as interschool transfers are allowed. No data is centrally available on such transfers but a sample of individual schools reports a general increase since the introduction of the credit system.
25. Recent teacher strikes in Ottawa, Windsor and Toronto are indicative of the stronger bargaining stance being taken by teachers.
26. *Committee on the Costs of Education, Province of Ontario, Interim Reports Numbers 1-4*.

CHAPTER IV

27. Statistics Canada, *Education in Canada*, publication 81-229, Table 3, p. 392
28. (a) *Annual Reports*, National Research Council and Canada Council.
(b) Statistics Canada, *Financial Statistics of Education*, publication 81-208, Table 57.
29. See Table 2 in Appendix A.
30. For a detailed description of the *Federal-Provincial Fiscal Arrangements Act, 1967*, see Douglas H. Clark, *Fiscal Need and Revenue Equalization Grants*, Canadian Tax Foundation, September 1969.

31. Statistics Canada, op. cit. Table 63, p. 440.
32. For a more complete description of manpower training programmes, see *Training for Ontario's Future*, Report of the Task Force on Industrial Training, Chapter 5, Ministry of Colleges and Universities, 1973.
33. News Release, Ministry of Colleges and Universities, January 16, 1976.
34. For a complete description of regulations concerning the operating grants formula, see Ministry of Colleges and Universities *Operating Formula Manual*, March 1973.
35. Ministry of Colleges and Universities, *Guidelines for Funding the Colleges of Applied Arts and Technology*, 1975-76. Unpublished document.
36. Committee of Finance Officers — Universities of Ontario, Report to the Council of Ontario Universities, *Total Revenue and Expenses for Provincially Assisted Universities of Ontario for the Fiscal Year Ended April 30, 1974*, Toronto, 1974.
37. For a complete description of government assistance for students, see *Ontario Student Assistance Plan, 1975-76*, pamphlet, Ministry of Colleges and Universities.
38. See G.C.A. Cook and David A.A. Stager, *Student Financial Assistance Programs*, A Report to the Ontario Committee on Student Awards, Institute for Quantitative Analysis of Social and Economic Policy, University of Toronto, 1969 and D. Bruce Johnstone and S.P. Dresch, *New Patterns for College Lending: Income Contingent Loans*, Columbia University Press, New York 1972.
39. E.G. West, *Student Loans: A Reappraisal*, Ontario Economic Council Working Paper No. 4/75. December, 1975. This paper outlines ten specific proposals for changing the present structure of student grant and loan programs.

